

Cryptocurrencies

Bitcoin Gains Correlate With Tether Issuance, Researcher Says

By Olga Kharif

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- ▶ TokenAnalyst finds prices rise as much as 70% of the time
- ▶ Correlation depends on which blockchain the tokens are minted



Why Tether Probably Tops Bitcoin as Most Used Cryptocurrency

It's becoming a little clearer just how much the stablecoin Tether contributed to the rally that saw Bitcoin more than double in value this year.

On days that new Tether tokens are issued, Bitcoin increases in price as much as 70% of the time, researcher TokenAnalyst calculated. Since about \$2 billion of Tether was issued this year, it was likely a significant factor.

Tether has been at the center of controversy since it was introduced as a way to provide liquidity in the more than \$200 billion digital-asset market, where lingering concerns about illegal uses have made it difficult for many exchanges to secure banking services. New York's attorney

general in April accused the companies behind Tether of engaging in a cover-up to hide losses and co-mingling client and corporate funds.



Why and when Tether is issued is often a mystery, with officials of the private company saying the tokens are minted to meet orders from larger customers. In countries like China, where crypto exchanges are banned, people can pay cash over the counter to get Tethers with few questions asked. From there, they can trade Tethers for Bitcoin and other cryptocurrencies.

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Tether can come into circulation on a number of digital ledgers, called blockchains, and the origin matters. Following issuance of Tethers on the Ethereum blockchain, as so-called ERC-20 tokens, the price of Bitcoin moves up 70% of the time, TokenAnalyst found. On Omni, which is linked to the Bitcoin digital ledger, the price of Bitcoin moves up 50% of the time, the researcher found.

“I think the discrepancies are appearing recently primarily because Tether on ERC-20 is just much easier than Tether on Omni to use as a means of transferring value quickly,” Sid Shekhar, co-founder of TokenAnalyst, said in an email. “Ethereum is a speedier chain than Bitcoin. As Tether is primarily used as a way to realize gains and get in and out of volatile crypto-asset positions in times of market movement, the speed of transferring into/out of it is critical.”

The data could make it easier to predict future price moves.

“Traders can leverage this knowledge by tracking mints and burns of the ERC-20 Tether token as it’s closely tied to movements in Bitcoin prices,” Shekhar said.

– *With assistance by Vildana Hajric*

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